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COMMISSION

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Memorandum

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To: MCAC/Partnership EJ Subcommittee
Fr: James Corless
Re: Revised Funding Analyses for EJ Principle #2

At your meeting on June 26, 2006, we discussed an initial set of funding analyses related to the implementation of Environmental Justice principle #2 adopted by the Commission. As a reminder, the exact wording of EJ principle #2 reads as follows:

> *<u>Principle #2</u> – Collect accurate and current data essential to defining and understanding the presence and extent of inequities, if any, in transportation funding based on race and income.*

It is also important to remember that the Commission requested the development and analysis of this data to better understand the implications of MCAC's proposed EJ principle #3 – which the Commission did not adopt pending the outcome of the funding analysis:

> *<u>MCAC Proposed Principle #3</u> – MTC should change its discretionary investment decisions and actions to mitigate identified inequities.*

At the June 26 EJ subcommittee meeting several requests were made to revise the initial analyses by providing: (1) additional historical funding data over and above the three most recent fiscal years, (2) a breakdown of funding by specific mode for transit operators that operate both bus and rail services, e.g. MUNI and VTA, and (3) the separation of transit fares from other sources of transit revenues.

Staff has developed revised analyses to reflect these changes including historical funding data that now extends back eight years to FY1998. Note that two of the forward-looking analyses for the T2030 Plan – cells 1a and 7a – have not changed from the June 26th version. As a reminder, we are working off the nine-cell matrix that was presented to the EJ Subcommittee at prior meetings. For the purposes of developing this particular funding analysis for EJ principle #2 and reporting back to the Commission, we are focused on cells #1, #4 and #7 in the matrix.

We should also note a number of additional data requests for the analyses in cells #1, #4 and #7 were made by Urban Habitat on behalf of the Transportation Justice Working Group in a letter dated July 21, 2006. Many of these requests had previously been made by Urban Habitat staff at prior EJ subcommittee meetings. While some aren't feasible due to constraints of the data, several others have been incorporated into the new funding analyses presented herein. MTC staff met with Urban Habitat on September 1st to discuss these issues in further detail.

Overall Change from Previous Analyses

On the whole the set of funding analyses have not changed significantly from the last iteration we presented to you in June. It should be noted that historical funding by community of concern (cell #1b) now shows a much more even per capita split between communities of concern and non-communities of concern due to slightly higher shares of streets and highway funding from FY98-FY02. Cell #7b has also changed to include modal breakdowns of funding for rail and bus systems operated by both MUNI and VTA. The results of this new data are discussed in further detail below.

Specific Changes in FY03-FY05 Numbers:

In compiling the FY 1997-98 through 2001-02 data, the following oversights in FY 2002-03 through FY 2004-05 data were corrected:

1) An error in MUNI's FY 2003-04 NTD amount was discovered. This information was used to develop the non-discretionary totals. The original amount used to calculate the non-discretionary totals was $167 million but the actual figure was $187 million, therefore, there is a $20 million difference in MUNI's totals in FY 2003-04.

2) SAMTRANS claims between $1 million and $2 million per year in State Transit Assistance funds for Caltrain's capital projects. This was not included in the original data. This has been corrected.

3) An omission was discovered totaling $1.138 million in local streets and roads funding under MTC's discretionary expenditures for FY03. This has been corrected.

Issues with the FY98-FY-02 data:

1) Streets and Roads – the non-discretionary totals for FY 2002-03 through FY 2004-05 data was developed from surveys completed by each of the jurisdictions. When the survey data was not available, the information was augmented with state controller information. The survey data for the FY 1997-98 through FY 2001-02 was generated for purposes of identifying need in the RTP. As a result, the survey data was not consistent with more recent surveys. Information for the State Controller was also found to be inconsistent with more current information. Therefore, staff determined that modeling the information using the FY1997-98 through FY2001-02 information would provide more realistic information. To accomplish this, an annual average of the FY 2002-03 through FY 2004-05 data was deescalated annually by 2.5% each year.

2) Transit Modal Splits – Modal splits for operating and *capital* projects that could not be identified by project title or description (e.g. preventive maintenance) were apportioned to modes using modal cost splits from operator annual claims.

3) Highway *Non-Discretionary* Data – Caltrans was unable to provide electronic data for SHOPP expenditures (State Highway Operations and Protection Program – a major source of maintenance and rehab funding for state-owned highways). Annual totals from 1998, 2000, and 2002 SHOPP were assigned by county. Caltrans was unable to provide complete information on other ***non-discretionary*** programs such as Seismic Retrofit, Railroad Highway Grade Crossing Protection Program, Hazard Elimination Safety Program, etc., therefore, staff modeled the totals by using annual average of FY 2002-03 through FY 2004-05 and deescalating these amounts by 2.5% annually.

Key Findings

There were several comments made at the June 26th EJ subcommittee meeting that suggested a need to simplify all the various charts and graphs that taken together represent a significant amount of information. In your last memo—now attached as a draft report along with all the revised tables and charts—staff offered several explanations for findings emerging from the initial analyses. In an attempt to simplify the funding analyses to date, staff offers the following summary of key findings to help guide and focus the Subcommittee's discussion.

The analyses in cells 1 & 4 show significant funding that benefits "communities of concern" and "transit-dependent households" to the extent that there do not appear to be gross inequities in any order of magnitude at this time. This result is largely due to the significant funding that MTC and the region has historically directed to public transit. It should be noted that this does not mean that there aren't significant gaps in the transportation network that significantly impact communities of concern. Indeed, this is a main reason MTC initiated the Lifeline program and funded over two-dozen community-based transportation plans. What this finding does suggest is that while the transportation system overall is significantly underfunded—the funding that does exist does not appear to be disproportionately distributed to areas outside communities of concern. The importance of this distinction cannot be overstated.

The revised analysis in cell 7b for the eight-year period from FY1998-FY2005 presents a somewhat more complicated story. When looking only at transit funding distributed among the major transit operators, several distinct patterns emerge that deserve further discussion:

- Higher funding levels in general for rail systems than bus systems compared to their share of total riders and minority riders (*Note: a major disclaimer needs to be made with this data. While transit agencies—in this case MUNI and VTA—report capital expenditures by rail or bus they do not report operating expenditures by mode. MTC staff has divided operating expenditures by mode based on several assumptions which may overstate operating funding for either mode*). The difference in expenditures for rail vs. bus lines is partly due to the fact that rail lines – including tracks, railbeds, rail cars etc. – cost more to rehabilitate and maintain and have much higher capital costs. It also reflects the dedicated funding sources that agencies like BART and VTA in particular have been able to secure, and the lack of similar dedicated funding sources for other agencies like AC Transit and—until recently—MUNI (see below).

- Higher funding levels for VTA—both for its light rail and bus system—and Caltrain compared to their share of total riders and minority riders are due in part to a statutorily-required separate federal urbanized area formula for San Jose (benefiting only VTA and Caltrain) that provides a greater guaranteed source of federal transit funding for the south bay (for federal funding purposes, San Jose is a separate Urbanized Area and San Francisco and Oakland are combined to form another Urbanized Area).

- MUNI received significantly less funding compared to their share of the region's transit riders or minority riders. This is partly explained by the fact that San Francisco generates significantly less sales tax-generated TDA funds for MUNI (counted as MTC discretionary funds) compared to either Santa Clara or Alameda counties.

- BART received a significantly higher share of the region's transit funding compared to its share of transit riders or minority riders due to significant sources of non-discretionary funds that include voter-approved and statutorily-enacted dedicated funding such as sales taxes and the recently-approved seismic bond. BART received a significantly lower share of MTC's discretionary funds and less than 1 percent of MTC's regional transit operating funds from FY1998-FY2005 (see chart 7b3 in the appendix of the attached report).

- AC Transit received lower shares of regional non-discretionary funding but higher shares of MTC discretionary funding compared to their share of the region's transit riders or minority riders. This points to AC Transit's lack of any significant source of guaranteed funding (i.e. non-discretionary funds dedicated to the particular operator such as a dedicated sales tax or property tax), especially compared to other transit agencies. AC Transit receives a significantly higher level of MTC's discretionary funding compared to their share of either total riders or minority riders.

Of all the analyses requested by and presented to the EJ Subcommittee, it is certainly the analyses under Cell #7 that raise the most significant questions about whether there are funding inequities. As such, the subcommittee may want to focus most of its discussion at the September 8th meeting on the issues raised in this particular analysis.

Key Questions for Subcommittee

Staff is looking for the EJ subcommittee's direction and feedback on the following questions:

1. Are all three methodologies (cells #1, #4 & #7) still useful and helpful measures in determining whether transportation funding is being distributed equitably? Should MTC continue to perform them to monitor the distribution of transportation funds in the future?

2. Does equity mean that there should be an equal share of transportation spending per capita? Or does an inequity in the distribution of funds only exist when differing by orders of magnitude?

3. Do the revised funding analyses in the attached report suggest the presence of funding inequities?

4. What are the next steps for the EJ subcommittee? Are there any other questions that staff can answer or background information that staff can provide in order for the subcommittee to come to any definitive conclusions on the presence of funding inequities given the analyses to date?

Conclusion

Staff looks forward to the subcommittee's discussion and feedback at your meeting on September 8th.